

STATE LANDS COMMISSION

TRANSCRIPTS

January 8, 1992

MEETING

STATE OF CALIFORNIA

STATE LANDS COMMISSION

EAST ANNEX CONFERENCE ROOM

1807 - 13TH STREET

SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, JANUARY 8, 1992

3:30 P.M.

Doris M. Bailey, CSR, RPR
Certified Shorthand Reporter
License Number 8751

COMMISSION MEMBERS PRESENT:

Mr. Gray Davis, Chairman
State Controller
Represented by Mr. James Tucker
Chief Deputy Controller

Honorable Leo T. McCarthy
Lieutenant Governor

Mr. Jesse R. Huff, Director of Finance
Represented by Ms. Susanne Burton

STAFF PRESENT

Mr. Charles Warren, Executive Officer

Mr. Robert C. Hight, Chief Counsel

ALSO PRESENT

Mr. Jan Stevens, Deputy Attorney General

Ms. Fatsy Tomasello

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P R O C E E D I N G S

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CHAIRMAN MCCARTHY: This is a meeting of the State
Lands Commission.

The minutes of the last meeting without objection
are approved?

COMMISSIONER BURTON: No problem.

CHAIRMAN MCCARTHY: The consent calendar items we're
taking 5, 13, 22 -- 21?

EXECUTIVE OFFICER WARREN: Yes.

CHAIRMAN MCCARTHY: And 25 --

EXECUTIVE OFFICER WARREN: And regular calendar item
25.

CHAIRMAN MCCARTHY: -- off the -- the first four off
consent and five off, 25 off the regular calendar?

EXECUTIVE OFFICER WARREN: Yes. And, Mr. Chairman,
also consent calendar item 15 is removed from the consent
calendar to the regular calendar.

CHAIRMAN MCCARTHY: All right.

Without objection all of that will be done.

Let's start on the regular calendar.

Mr. Warren, please?

EXECUTIVE OFFICER WARREN: You want to take the
consent calendar first?

CHAIRMAN MCCARTHY: Without objection the consent

1 calendar is adopted. There.

2 EXECUTIVE OFFICER WARREN: Okay, the first item on
3 the regular calendar will be item C-15, M. and T. Staten
4 Ranch. Jane Sekelsky, who is Land Management Division Chief,
5 will present that item.

6 MS. SEKELSKY: This project is proposed on two
7 parcels of land in and along the Mokelumne River in Staten
8 Island in San Joaquin County.

9 The berms in these areas which have provided
10 valuable Shaded Riverine Aquatic habitat are eroding from wave
11 wash from the river. Erosion of the berms has resulted in the
12 loss of essential habitat and a threat to the stability of the
13 adjoining levies.

14 The applicant, with the support of the Department of
15 Fish and Game, proposes to construct dikes in the eroding
16 areas, dredge sand from the riverbed and place it on the
17 berms, and revegetate the berms in order to restore the berm
18 in its habitat, and to protect the Staten Island levies.

19 The proposed project is one application of the berm
20 restoration concept developed by Sacramento River Inter-Agency
21 Mitigation team of which we are a member.

22 The applicant disputes the State's ownerships in the
23 lands underlying the project, but has applied for a permit
24 without prejudice to their right to contest the State's title
25 at a later date.

1 The project would be exempt as an experimental
2 management project from CEQA.

3 You will see Exhibit C to your calendar item has
4 three special conditions which would be inserted in the permit
5 itself, and we would like to add one more which I will read
6 into the record.

7 "The applicant will be responsible
8 for implementation of the project
9 including construction of the dikes,
10 placement of dredge material, and plant
11 selection and installation as set forth in
12 Section 3 of Exhibit B to this item, pages
13 98.5 to 98.6, subject to the approval and
14 supervision of the Department of Fish and
15 Game."

16 We have representatives both of the applicant and of
17 the Department of Fish and Game, if you have any questions,
18 here in the audience.

19 CHAIRMAN MCCARTHY: Any questions of members of the
20 Commission at this point?

21 All right. Any further comments from any of your
22 staff, Mr. Warren?

23 EXECUTIVE OFFICER WARREN: No, Mr. Chairman.

24 CHAIRMAN MCCARTHY: Does anyone in the audience wish
25 to testify on Item 15 now on the regular calendar? The

1 Commission is ready to act otherwise.

2 The conditions just submitted including the one read
3 into the record will be adopted as a part of our action here.
4 We're ready to vote on the entire item now.

5 COMMISSIONER BURTON: That's fine.

6 COMMISSIONER TUCKER: Uh-huh.

7 CHAIRMAN MCCARTHY: Unanimously adopted.

8 EXECUTIVE OFFICER WARREN: The next regular calendar
9 items 24 through 27 save 25 will be presented by Mr. Paul
10 Mount, Chief of the Mineral Resources Management Division.

11 MR. MOUNT: Good morning. Okay, Mr. Chairman, Item
12 24, approve a negotiated subsurface, and there will be no
13 surface use, State oil and gas lease, it's 95 acres under Sand
14 Mount Slough in Contra Costa County, for purposes of
15 developing the gas resource.

16 CHAIRMAN MCCARTHY: Any questions by members of the
17 Commission? Members of the audience?

18 Adopted as recommended.

19 Next item.

20 MR. MOUNT: Item 26, approve the assignments of
21 State oil and gas leases, PRC 410, PRC 429, and PRC 1466, and
22 right-of-way leases PRC 1961 and PRC 5968, in the Rincon Oil
23 Field, Ventura County.

24 In this assignment Arco will be released from all of
25 its obligations under the lease except for the obligation to

1 remove the Rincon Island, the connecting causeway, and the
2 appropriate portion of the pier. Berry Petroleum Company
3 already has the current obligations, so this is an assignment
4 of those leases.

5 CHAIRMAN McCARTHY: Any questions?

6 EXECUTIVE OFFICER WARREN: No opposition.

7 CHAIRMAN McCARTHY: Anyone in the audience wish to
8 comment on Item 26?

9 The recommendations are adopted.

10 Item 27.

11 MR. MOUNT: Approve a negotiated subsurface, again
12 no surface use, State oil and gas lease, 475 acres under the
13 old river in Contra Costa County and San Joaquin Counties for
14 the purpose of developing the gas resources.

15 CHAIRMAN McCARTHY: Any questions by members of the
16 Commission?

17 COMMISSIONER BURTON: No.

18 CHAIRMAN McCARTHY: I do have a slip from Mr. Gary
19 Plotner of Phillips Petroleum.

20 MR. PLOTNER: That was only if there was any
21 discussion, so I'm fine, thanks.

22 CHAIRMAN McCARTHY: If you want a chance to talk
23 yourself out of this one --

24 MR. PLOTNER: I'll just sit here.

25 CHAIRMAN McCARTHY: If there are no other further

1 comments we'll adopt the recommendations as proposed.

2 EXECUTIVE OFFICER WARREN: That concludes the public
3 calendar, Mr. Chairman. There's only one other item on the
4 agenda and that is a brief Executive Officer's report if you
5 will permit me two or three minutes?

6 CHAIRMAN McCARTHY: Sure.

7 EXECUTIVE OFFICER WARREN: I've had prepared for
8 you, given the fact that it's the beginning of a new year, I
9 quickly assembled an accomplishments report which is contained
10 in the red folder.

11 COMMISSIONER BURTON: Appropriate color.

12 EXECUTIVE OFFICER WARREN: That's okay, this is the
13 first time I've been complimented in years.

14 In a black and white folder --

15 COMMISSIONER BURTON: I quit.

16 EXECUTIVE OFFICER WARREN: I have a copy of a
17 presentation which I made to the Department of Finance,
18 Department of Resources, and Governor's staff on the
19 implications of budget and personnel curtailments on the
20 revenue producing capabilities of the agency. Pointing out
21 that among the 66 PY's that we've eliminated in response to
22 the 27 percent budget cutbacks, that a restoration of 12 of
23 them would result in an increase in our projected revenues
24 this year from \$10 to \$20 million at a cost of less than a
25 million to the general fund.

1 We feel that's kind of a, it was felt that this is a
2 penny wise, pound foolish curtailment, and we're hoping that
3 further review by Department of Finance analysts with our
4 staff will confirm the potential benefits of that outlined in
5 the presentation.

6 I just thought we'd have that for your information.

7 CHAIRMAN MCCARTHY: We should discuss that in a
8 minute. I'm looking through the list of accomplishments first
9 and naturally I think you all recognize it's because of the
10 stellar role that the Chair of this Commission played in the
11 last year, and I thought I'd mention in passing the incidental
12 role that you and the staff played in moving some of these
13 things along. I appreciate it.

14 I think a number of good things have happened.
15 Settlements down in Long Beach, but a number of other things
16 on this list as well. Good work.

17 EXECUTIVE OFFICER WARREN: I think staff is, under
18 the circumstances of the year, the contribution and the
19 obvious concerns that were felt as a result of the budgetary
20 realities confronting the State, that the accomplishments are
21 significant and notable and staff at present deserve the
22 utmost praise. And with your permission I will extend to
23 staff your commendations as well.

24 CHAIRMAN MCCARTHY: Please.

25 EXECUTIVE OFFICER WARREN: Thank you.

1 CHAIRMAN McCARTHY: Do you want to take a minute to
2 talk about the reality of what we can produce for the State in
3 revenue if we avoid a million dollars in cuts, or do you want
4 to save that for private discussion?

5 COMMISSIONER BURTON: I don't have sufficient
6 knowledge to do that today. I have asked your staff to work
7 together with the Lands Commission staff to look at the data
8 that was provided.

9 CHAIRMAN McCARTHY: I think the Governor's open if
10 we can make a good case. If we can prove that keeping staff
11 on hand that's going to cost us a million, staff plus
12 expenses, and they're going to bring in \$12 or \$13 million.

13 EXECUTIVE OFFICER WARREN: You said staff on hand,
14 all staff, all staff are gone. So it's not a question of
15 keeping them.

16 CHAIRMAN McCARTHY: These are cuts that have already
17 been made and therefore the revenue loss that we'll experience
18 because of it --

19 EXECUTIVE OFFICER WARREN: We've identified certain
20 spots, 12 in -- 14 1/2 in number, could continue certain
21 projects that we had underway, which projects which have now
22 been suspended.

23 CHAIRMAN McCARTHY: Okay.

24 EXECUTIVE OFFICER WARREN: And which would result in
25 what we believe to be revenue over the short term of an amount

1 sufficient to pay for their cost and a considerable increase,
2 well a considerable larger amount over the long term. And
3 we've identified those. We've given them to Finance.

4 COMMISSIONER BURTON: Happy to look at the data.

5 EXECUTIVE OFFICER WARREN: We await your call.

6 CHAIRMAN MCCARTHY: Do you have any comments on this
7 part of it, Jim?

8 COMMISSIONER TUCKER: Huh-unh.

9 COMMISSIONER BURTON: I think you might have noticed
10 last year there was what we would consider to be a little
11 revenue producing agency, tax agencies, and they made some
12 similar arguments and the legislature added positions
13 sufficient to bring in additional audit money in those
14 agencies. And it's in that vein that we would look at this
15 data as well.

16 CHAIRMAN MCCARTHY: I think we would really want
17 Finance to not wait for the legislature to take the action
18 assuming the case is persuadable.

19 EXECUTIVE OFFICER WARREN: With your permission we
20 would brief the Democratic and Republican members of the
21 Budget Committees along the same lines.

22 COMMISSIONER BURTON: I don't have a problem with
23 that.

24 CHAIRMAN MCCARTHY: How much chance have we had to
25 talk to Finance and anyone in the Governor's Office yet? I'd

1 like to take that step first and give them the opportunity to
2 have an opinion on this.

3 EXECUTIVE OFFICER WARREN: Well Finance has been
4 fairly well briefed. The Governor's Office we've only met
5 once with the Cabinet Secretary.

6 COMMISSIONER BURTON: Uh-huh.

7 EXECUTIVE OFFICER WARREN: What's his name?

8 COMMISSIONER BURTON: Loren Kaye.

9 EXECUTIVE OFFICER WARREN: That's right.

10 CHAIRMAN MCCARTHY: Have you given all the
11 information to Finance that could be given to them about the
12 revenue losses that you're estimating?

13 EXECUTIVE OFFICER WARREN: I thought so, but Mr.
14 Kaye's response to our meeting was that he would request
15 Department of Finance analysts to meet with our staff. I
16 assume that would be for the purpose of going over the
17 particular activities and the number of PY's required to
18 continue those activities.

19 I don't know when that will meet. I mean we're
20 ready to discuss, to discuss the situation in detail as soon
21 as our analysts or whomever is assigned to the task contacts
22 us.

23 COMMISSIONER BURTON: I don't have any problem if
24 you want to go ahead, unless the Chair does, go ahead and talk
25 to legislative staff or members. Obviously the budget's done,

1 we're past the point of including something in tomorrow's
2 budget.

3 CHAIRMAN MCCARTHY: But I would like to see Finance
4 or someone in the Governor's Office in some way communicate to
5 the Senate and the Assembly budget committees that this makes
6 some sense. That you've come to that conclusion. It makes
7 some sense.

8 COMMISSIONER BURTON: Yeah, if we reach that
9 conclusion we would.

10 CHAIRMAN MCCARTHY: If you don't, okay. I see a
11 chemistry developing in the budget this year that it's just
12 going to be very, very -- it's just going to be very tough.
13 And people are going to pick and choose what they're going to
14 add on. And it's going to be just horrible.

15 EXECUTIVE OFFICER WARREN: I would feel more
16 comfortable --

17 CHAIRMAN MCCARTHY: So I think if we can sort of, if
18 we can move Finance and the legislators to the line at the
19 same time so that neither counts it in their column, as to
20 what they're adding or trading or whatever, that would be the
21 ideal way.

22 EXECUTIVE OFFICER WARREN: One other thing. if I
23 may? If I can, I think, I appreciate your words and I think,
24 and I would feel more comfortable working with the
25 administration before meeting with the legislators because I

1 think your point that it's going to be, you know, going to be
2 accused of going around bypassing resources and the Department
3 of Finance and such is not the case, and certainly not the
4 intention.

5 So if at all possible we can work this out. And
6 again we have no hidden agenda here. We want to be as
7 straightforward as possible.

8 COMMISSIONER BURTON: So just let me know if you're
9 missing a deadline or something.

10 EXECUTIVE OFFICER WARREN: That would be much
11 appreciated.

12 COMMISSIONER BURTON: Okay.

13 EXECUTIVE OFFICER WARREN: There's one other thing I
14 thought I'd bring to your attention. I sent to you a week or
15 so ago, and I don't know if you received it, a report prepared
16 by the Marine Facilities Inspection Unit and Mineral Resources
17 Management in response to 2040.

18 It's a report that the legislature directed the
19 Resources Agency give it on implementation of 2040. If you
20 recall that I think that inasmuch as I know that all of you
21 are very much interested in the implementation of oil spill
22 prevention response, I think you'll find that report very
23 reassuring. We're quite pleased with it. And we are waiting
24 Resource Agency response in terms of how it's provided to the
25 legislature.

1 We met also with the representatives of our
2 counterpart agency from Texas and we're going to, we're
3 suggesting that an association of oil spill prevention states
4 be formed nationwide hosted by Florida, Texas, and California,
5 to further oil spill prevention as distinguished from
6 recovery.

7 And the prospect for such an organization being
8 formed are good. And I think this will help us as we attempt
9 to move forward in the best available management practices and
10 best available technology in oil spill prevention.

11 I'd also like to comment that the other, a spill
12 recently reported in the front pages of the San Francisco
13 Chronicle as having occurred in the San Francisco Bay was as a
14 result of a transfer of oil from a barge to a tanker, and that
15 event is beyond our control. In fact, we have been
16 specifically directed not to become involved in such
17 transfers.

18 We also believe if an inspector had been present,
19 that spill probably would not have occurred.

20 CHAIRMAN MCCARTHY: Specifically directed by the
21 language?

22 EXECUTIVE OFFICER WARREN: I'm scrry?

23 CHAIRMAN MCCARTHY: Specifically directed by the
24 language in the --

25 EXECUTIVE OFFICER WARREN: Budget.

1 CHAIRMAN McCARTHY: Language in the budget. Okay.

2 EXECUTIVE OFFICER WARREN: We have nothing further.
3 Thank you very much.

4 CHIEF COUNSEL HIGHT: One last item, Mr. Chairman.
5 Pursuant to Government Code Section 11126.3 sub D, Lake
6 Merritt Plaza versus State of California was considered in
7 Executive Session.

8 EXECUTIVE OFFICER WARREN: All right, so noted.
9 Thank you.

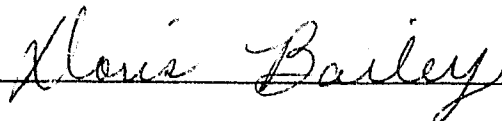
10 (Thereupon the January 8th meeting of the
11 State Lands Commission was concluded at
12 3:50 p.m.)
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CERTIFICATE OF CERTIFIED SHORTHAND REPORTER

I, DORIS M. BAILEY, a Certified Shorthand Reporter and Registered Professional Reporter, in and for the State of California, do hereby certify that I am a disinterested person herein; that I reported the foregoing Meeting of the California State Lands Commission in shorthand writing and thereafter caused my shorthand writing to be transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand as a Certified Shorthand Reporter on this 22nd day of January, 1992.



Doris M. Bailey, CSR, RPR

Certified Shorthand Reporter

License Number 8751